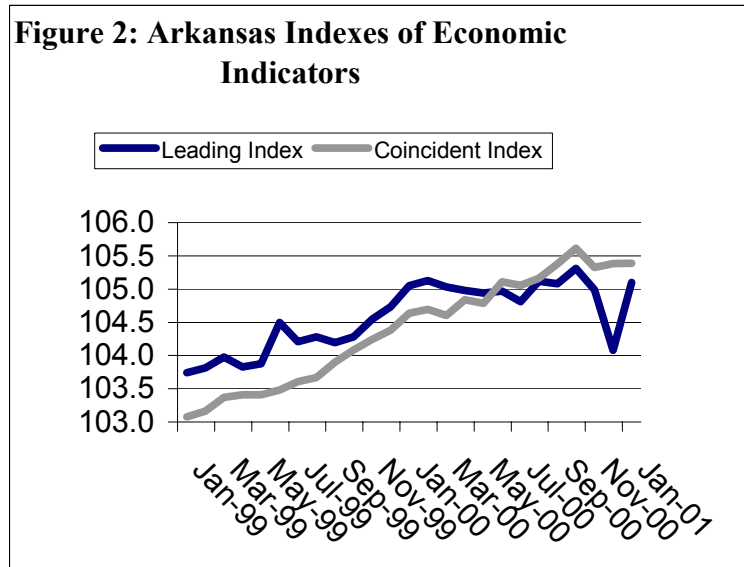
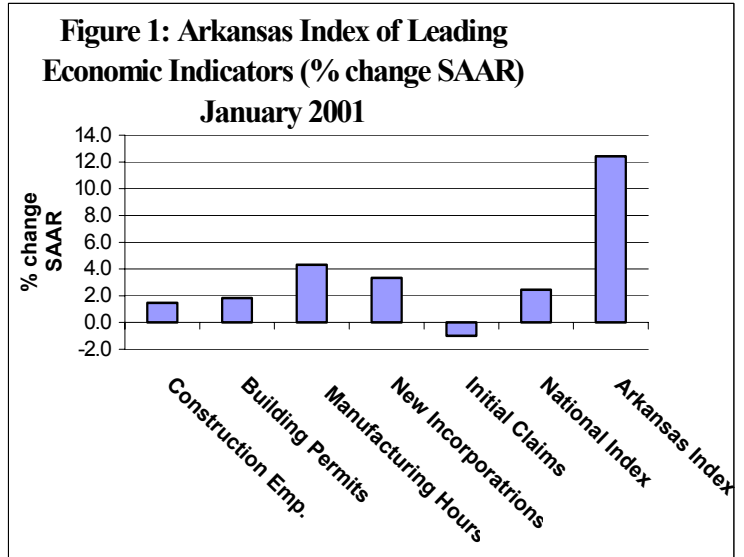


Forecasting Trends: Arkansas Economic Indicators January 2001

After showing signs of a slowing economy early last year (February 2000), the index of leading economic indicators for the state of Arkansas rebounded in January as it jumped back to its level of a year ago. The index rose at seasonally adjusted annual rate (SAAR) of 13.6, recouping all its remarkable December decline of 9.1 percent SAAR. The January rebound in the index indicates a more positive outlook for the state's economy in the near future. Normally, the index serves to predict economic growth six to nine months into the future. Five of the six components comprising the index witnessed month-to-month increases in January. The recovery in average weekly manufacturing hours (AMH) made the largest contribution to the increase in the index this month. AMH increased to 40.5 hours/Week after scoring its lowest level in December 2000. A total of 1316 new incorporations filed to start business in January, compared to 963 in last December, also helped the index to recover its decline in December 2000. In addition, the index benefited from improvements in conditions in the construction sector as construction employment and building permits posted increases during the month of January. The only negative leading indicator in January was the increase of the number of jobless claims in Arkansas from 25.1 thousands to 32.4 thousands. Finally, the remarkable increase in the U.S. index of leading economic indicators further helped the Arkansas index to climb up to stand at 105.1 in January.

The coincident index, which summarizes current economic conditions, inched up 0.03 percent (SAAR) in January, showing more signs of a weakening economy. The coincident index is comprised of 3 indicators, the unemployment rate, non-farm employment, and taxable sales. The index benefited primarily from a significant gain in



retail sales in January. However, this positive sign was offset by a deterioration in aggregate employment conditions in the state. The seasonally adjusted unemployment rate in Arkansas jumped 3 points to stand at 4.2 in January. Non-farm employment also declined during the month, contributing to the downward pressure on the coincident index.

The indexes constructed for Northwest Arkansas indicate a more solid economy and positive future economic conditions in the region than the state. The leading index soared 19.6 percent (SAAR) in December. Like the state, NW Arkansas manufacturing activity, as reflected by average weekly manufacturing hours (AMH), was the main force behind the increase in the leading index for the region. AMW in NW Arkansas increased significantly in January to stand at 41.3 hours/week, almost three hours above its level last month. Construction employment in NW Arkansas rose in January, contributing 3.7 points to the Index increase. The large increase in the state index, which is a component in the Northwest Arkansas index, improved the economic outlook for the region, as it accounted for half of the January increase in the NW Arkansas Index. Building permits, on the other hand, declined but with a negligible impact on the index. Unlike the state, indicators of current economic conditions in Northwest Arkansas show the regional economy is still growing by the beginning of 2001. The coincident index rose 4.8 percent (SAAR) in January as a result of the increase in non-farm employment and taxable sales of 4 and 1.7 percent (SAAR), respectively. The third component of the index, the unemployment rate, moderated the upward movement in the index, as it inched up to 2.0 in January.

Figure 3: NW Arkansas Index of Leading Economic Indicators (% change SAAR) January 2001

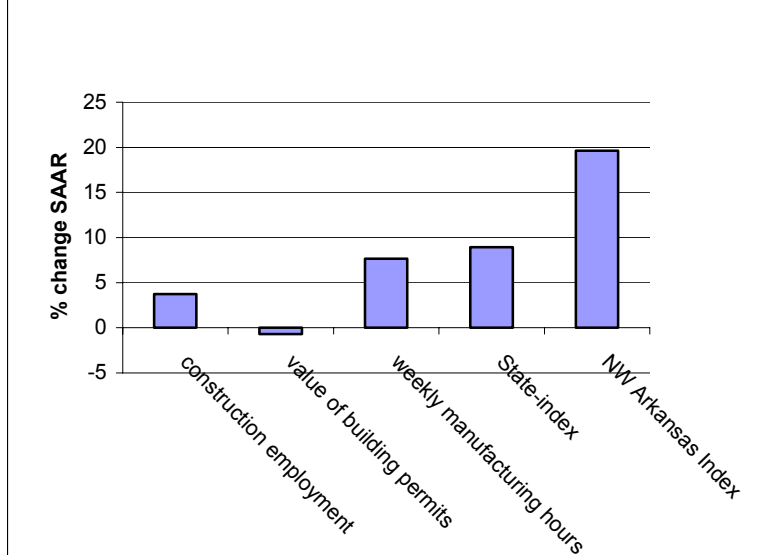


Figure 4: NW Arkansas Indexes of Economic Indicators

